

APPENDIX A

PROPOSED FEES AND SERVICES UNDER MODEL TERMS & CONDITIONS

I. GENERAL PRICING PARAMETERS

- ?? The pricing formula for Standard Passthrough Billing, Standard Complete Billing, and General Pool Administration Services was developed based, in part, upon the representation that the Bay State Gas (“BSG” or “Company”) system will be serving no less than its current level of Commercial & Industrial (C&I) customers of 5,990, which is approximately 20% of total C & I customers. Pricing also considers the assumption that this level of enrollment could increase by 10% in the foreseeable future. Thus, BSG’s billing determinant for calculating the above listed services was 6,600.
- ?? Pricing for Standard Complete Billing Service was also based, in part, upon the representation that 25% of the total anticipated suppliers (i.e., 1,650) will choose this service.
- ?? Bay State will monitor the number of transportation customers participating in each service, and if this number exceeds 10% of 6,600 (or 7,260), then the Company will reevaluate these billing fees and, if warranted, file with the Department a revision to its tariff that reflects updates to any of the Company’s pricing assumptions.
- ?? Required services/fees for suppliers doing business on our system are generally cost-based in nature, except for Customer Switching Service, as explained in the attached cover letter.
- ?? Standard Complete Billing Service is an optional service. Pricing for this service is based in large part on the incremental costs the Company has incurred, and expects to continue incurring, to provide this service. To a lesser degree, pricing for this service reflects market-based factors, since suppliers have alternative sources for such services.

II. PROPOSED PRICING SUMMARY

<u>SUPPLIER SERVICES</u>	<u>FEES</u>
Standard Passthrough Billing (Required)	?? \$0.60/customer/month billed
Standard Complete Billing (Optional) ¹	?? \$1.50/customer/month billed
Pool Administration	
?? General Pool Administration (Required)	?? \$0.10/month/customer billed
?? Customer Switching (Required)	?? \$10/customer/switch billed

III. BILLING SERVICES

A. Standard Passthrough Billing Service:

Pursuant to Section 14.2.2 of the Model Terms and Conditions, "... the Company shall provide an electronic file for the Supplier that will contain the Customer's usage being billed including the current

¹ The Company notes that the proposed Passthrough Billing Service fee is not required if the Complete Billing Service is elected.

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and previous meter readings. The Company may charge a fee to the Supplier for providing the billing information described in this section as approved by the MDTE.”

?? Services Provided

- ?? Electronic file(s) with metering information
- ?? Information support for suppliers
- ?? Information reports

?? Estimated Resources/Costs

- ?? General System Maintenance (CIS, TMS, Metscan, web)²
- ?? 600 hrs of IS time BGC/NU @ \$75/hr \$45,000/yr.
- ?? Assuming 6,600 customers @ \$45,000/yr. = \$6.82/customer/yr.
- ?? \$6.82/yr. = **\$0.60/customer/month**

?? Proposed Standard Passthrough Billing Service Fee

- ?? All suppliers not subscribing to the Standard Complete Billing Service will be charged a monthly Passthrough Billing Service fee of \$0.60 per customer.

B. Standard Complete Billing Service:

Pursuant to Section 14.2.1 of the Model Terms and Conditions, "The Customer shall receive a single bill from the Company for both Distribution Service and Supplier Service. The Company may charge a fee to the Supplier for providing this billing service as approved by the MDTE.... The Company shall reasonably accommodate, at the Supplier's expense, different customer classes or rate structures as agreed to by the Company and the Supplier in the Supplier Service Agreement."

?? Services Provided in Addition to Those Offered under Passthrough Billing³:

- ?? Electronic file(s) with financial information
- ?? Line item on bill print
- ?? Management of receivables
- ?? Late fees for commodity as allowable
- ?? Electronic fund transfers (24.2.2)
- ?? Support of customer level pricing
- ?? Support of levelized budget plans

² CIS stands for Customer Information System and TMS stands for Transportation Management System.

³ The Company notes that in November 1999, Bay State enhanced its billing service to allow a supplier to have different prices for each customer if they so desired. It rewrote its programming to allow a customer the option to remain on a levelized annual budget. It reworked its cash processing systems to split payments and support a separate set of books for supplier balances. Knowing that customers typically direct their inquiries to the company whose name appears at the top of the billing statement, Bay State disbanded the separate call center service and incorporated call center support into the base cost of the billing service.

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?? **Estimated Resources/Costs**

?? <u>General System Maintenance</u> (CIS, TMS, Metscan, web) ⁴	
?? 600 hrs of IS time BGC/NU @ \$75/hr	\$45,000/yr
?? Assuming 6,600 customers @ \$45,000/yr. =	\$6.82/cust/yr
?? \$6.82/yr. =	\$0.60/cust/mth

?? <u>Information Systems & Other Set-up</u> ⁵	
?? Weekly Wire transfers (assuming \$8.00/wire x 15 suppliers)	\$6,240/yr
?? SARS reports (assuming 77 hrs BGC @ \$75/hr)	\$5,775/yr
?? TOTAL COSTS =	\$12,015/yr
?? Assuming 1,650 customers @ \$12,015/yr. =	\$7.28/cust/yr
?? \$7.28/yr. =	\$0.61/cust/mth

?? TOTAL INCREMENTAL COSTS FOR COMPLETE BILLING = **\$1.21/cust/mth**

?? **Proposed Complete Billing Service Pricing**

In determining the fee for the Standard Complete Billing Service, the Company considers the cumulative costs associated with three key elements. The first element is the costs associated with Passthrough Billing Service, as calculated above, because the same services are provided under either the Complete or Passthrough Billing Services. The second element is the costs associated with Information Systems & Other Set-up requirements, also calculated above, because these are costs incurred to provide this extra level of service.

The third element, which is the market-based element to this fee, considers a conservative estimate of the costs that suppliers would incur if they were to provide this service on their own. Historic analysis indicates that based upon October 2000 costs, BSG spends approximately \$1.50 to generate a full-service customer bill per month. Under the proposed Complete Billing Service, BSG will be adding a line item for supplier commodity to BSG's bill, which it would be sending to the customer anyway under the required Standard Passthrough Billing Service. Thus, the Company proposes to include an incremental \$0.29/bill/month resulting in a total Complete Billing Service fee of \$1.50. Based on the Company's experience described above, BSG estimates that this alternative would cost suppliers approximately the same amount per bill per month to provide this service on their own. Therefore, BSG contends that suppliers should be willing to pay at least their equivalent level of costs for this type of service, while at the same time BSG covers its incremental costs to provide this service.

⁴ The Company notes that these General System Maintenance costs are the same costs used to develop the Standard Complete Billing Service fee described in Section III.A, above.

⁵ The Company notes that these Information Systems and Other Set-up costs represent the additional costs BSG incurs to provide this type of service over and above the General System Maintenance costs.

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?? Proposed Standard Complete Billing Service Fee

- ?? All suppliers subscribing to the Standard Complete Billing Service will be charged a monthly Complete Billing Service fee of \$1.50 per customer per month.

IV. POOL ADMINISTRATION SERVICES:

A. General Pool Administration Service Fee

Pursuant to Section 24.6.6 of the Terms and Conditions, "The Company may charge a monthly fee to the Supplier for each Aggregation Pool...." Further, Section 24.5.9 establishes that, "The Company may charge fees to the Supplier for processing the transactions described in this section [Supplier Terms and Conditions], as approved by the MDTE."

?? Services Provided

?? Supplier Registration

- ?? Process application including credit check (24.3)
- ?? Complete Supplier Service Agreement
- ?? Set-up of supplier billing accounts

?? Capacity Management (13.0)

- ?? Determine and administer customer-level capacity assignment amounts
- ?? Post capacity to be made available to suppliers for upcoming year and related contract information on Company web site (13.1)
- ?? Provide suppliers with updates as to contract renegotiations (13.2.2)
- ?? Calculate and track customer-level TCQs (13.3)
- ?? Provide suppliers with information about customers' Total Capacity Quantities (TCQ) (13.3.1)
- ?? Assign suppliers their pro-rata shares of capacity (13.4)
- ?? Assign and track suppliers' Maximum Daily Peaking Quantity (MDPQ) (13.7.3)
- ?? Track Underground Storage Inventories (13.8)
- ?? Track and invoice for capacity contracts that are released to suppliers (13.5.1)
- ?? Post customer migration statistics and storage capacity information each 9/1 (13.5.3)
- ?? Adjust capacity assignments each year (13.6.1)

?? Customer Information

- ?? Provide suppliers with customers' historic usage (24.4)
- ?? Provide customers with notification of initiation of supplier service and slamming information (14.3)

?? Adjusted Target Volume (ATV) (12.3.2)

- ?? Calculate for all non-daily metered aggregation pools (12.3.2)
- ?? Post information on consumption algorithm on web site (12.3.2)
- ?? Communicate ATV to suppliers for subsequent 4 day period
- ?? Perform periodic true-up for each supplier, comparing adjusted ATVs to actual pool usage (12.6.5)

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?? Facilitate and administer annual imbalance trading caused by differences between adjusted ATVs and actual pool usage (12.6.5)

?? Nominations and Scheduling of Service (11.3, 12.3)

?? Develop standard nomination format (11.3.2)

?? Transmit and accept electronic nominations forms (11.3.3,4,5)

?? Confirm supplier nominations with pipelines (11.3.6)

?? Administer Predetermined Allocation Method (11.3.6)

?? Accept and process end-of-month reconciliation nominations (11.6.3)

?? Balancing / Imbalance Trading (24.7)

?? Provide information to allow suppliers to trade monthly and daily imbalances (24.7)

?? Communications

?? Notify suppliers of Operational Flow Orders, Maximum Hourly Flow restrictions, and curtailment situations (11.6.1, 21.0)

?? Call Center support (24.2.2)

?? Provide updated information about rate tariffs, billing cycles, capacity assignment methods, consumption algorithms on web site (24.2.2)

?? Estimated Resources/Costs

?? General System Maintenance (CIS, TMS, Metscan, web)

?? 100 hrs of IS time BGC/NU @ \$75/hr

\$7,500/yr

?? Assuming 6,600 customers @ \$7,500/yr. =

\$1.136/customer/yr.

?? \$1.136/yr. =

\$0.10/customer/month

?? Proposed General Pool Administration Fee

?? All suppliers will be charged a monthly General Pool Administration fee of \$0.10 per customer.

B. Customer Switching Service Fee

As noted in the cover letter, the Company seeks approval of a Customer Switching Service fee, which is meant to serve as both a deterrent to slamming as well as to help defray unique costs associated with account maintenance that such activities require, but that are difficult to quantify.

?? Proposed Customer Switching Service Fee

?? A Customer Switching Service fee of \$10 will be applied to supplier account for enrollments of all customers either switching from another supplier or from pool to pool.

V. TELEMETERING FOR DAILY METERED CUSTOMERS

Pursuant to Section 11.5.1 of the Terms and Conditions, " The Company shall furnish and install, at the Customer's expense, telemetering equipment and any related equipment for the purpose of measuring Gas

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Usage at each Customer's Delivery Point. The Company shall require each Customer to install and maintain, at the Customer's expense, reliably available telephone lines and electrical connections that meet the Company's operating requirements. Telemetering equipment shall remain the property of the Company at all times."

A. Services Provided

- ?? Make telemetering technology available
- ?? Install telemetering device at Customer location
- ?? Maintain telemetering devices

B. Estimated Resources (per unit)

?? Instrumented	
?? Device =	\$1026
?? AMD Cover =	\$117
?? Misc. Parts =	\$121.30
?? Installation =	\$145
?? TOTAL =	\$1409.30
?? Non-Instrumented	
?? Device =	\$221
?? AMD Cover =	\$18
?? Misc. Parts =	\$90
?? Installation =	\$145
?? TOTAL =	\$474
?? Reoccurring Expenses	
?? Maintenance/Battery change every 18 mths	
?? Battery/disposal =	\$4.86
?? Labor =	\$65
?? TOTAL (amortized over 18 mths)	\$3.88/mth
?? Daily Phone Calls	
?? Cost of call =	\$0.09/call
?? Cost of calls per year =	\$32.86
?? Cost of calls per month =	\$2.74/mth
?? TOTAL MONTHLY COST =	\$6.62

C. Telemetering Pricing for Daily Metered Service

- ?? Installation of instrumented meter compliant Metscan unit - \$1400 plus \$6.75 mthly
- ?? Installation of non-instrumented meter compliant Metscan unit - \$475 plus \$6.50 mthly
- ?? Configuration of existing Metscan unit (non-daily to daily)- \$100 plus \$6.50 mthly